

EXECUTIVE SECRETARIAT**Routing Slip**

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Remarks:

25X1

S/Executive Secretary

9/13/82

Date

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OFFICE OF THE SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

Executive Registry

82-5925

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September 13, 1982

MEMORANDUM FOR State
OPD
NSC
Agriculture
✓ CIA
Commerce
Defense
USTR
CEA
OMB

- Mr. L. Paul Bremer, III
- Mr. Les Denend
- Mr. Michael O. Wheeler
- Mr. Raymond Lett
-
- Mrs. Helen Robbins
- Col. John Stanford
- Mr. Dennis Whitfield
- Mr. William Niskanen
- Mr. Alton Keel

25X1

Subject U.S.-EC Working Group of the Interagency Group
on International Economic Policy (IG-IEP)

Assistant Secretary Leland has proposed establishing an IG-IEP working group to continue the IG-IEP work on U.S.-EC relations. Deputy Assistant Secretary Robert Cornell will chair the group, which will hold its first meeting at 2:00 PM on Tuesday, September 14, at Treasury in room 4426.

The agenda will include:

- (1) Consideration of the impact on U.S.-EC relations of possible uses of the \$175-190 million authorized by the Omnibus Reconciliation Act for export activities by USDA.
- (2) Further discussions on the impact of U.S.-EC agricultural issues on U.S.-EC relations.
- (3) Discussion of the attached IG papers to identify any revisions necessary prior to their presentation to the IG for final clearance to the SIG level.

Attendance will be principal (deputy assistant secretary level) plus one. Please telephone the names of your representatives to Judith Thorne (566-2748) by COB September 13.

David E. Pickford
David E. Pickford
Executive Secretary

Attachments

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ASSISTANT SECRETARY

CONFIDENTIAL
DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

September 13, 1982

MEMORANDUM FOR MEMBERS OF THE INTERDEPARTMENTAL GROUP
ON INTERNATIONAL ECONOMIC POLICY

FROM: Marc E. Island
Assistant Secretary for International Affairs

SUBJECT: IG Working Group on U.S.-EC Issues

To continue the IG-IEP work on U.S.-EC relations, I propose the establishment of an IG working group to discuss recent developments and their effect on U.S.-EC economic relations. Bob Cornell will chair the working group and will hold the first meeting at 2:00 PM on Tuesday, September 14 at Treasury in room 4426.

I suggest the working group cover the following items:

- (1) Consideration of the impact on U.S.-EC relations of possible uses of the \$175-190 million authorized by the Omnibus Reconciliation Act for export activities by USDA.
- (2) Discussion of the importance of hinted EC willingness to negotiate solutions to bilateral agricultural disputes and whether this should affect our approach to agriculture at the GATT Ministerial.
- (3) Discussion of the attached IG papers to identify any revisions necessary prior to their presentation to the IG for final clearance to the SIG level.

At the July 27 meeting of the IG, there was general disagreement on whether to reduce U.S. rhetoric, withdraw weak GATT cases and seek a negotiated solution to EC subsidies (accepting the EC's right to subsidize but trying to discipline it) or whether to start subsidizing our exports to strengthen our negotiating position.

Subsequently, Congress has passed the Omnibus Reconciliation Act, which includes a provision for the Secretary of Agriculture to use annually for the next three fiscal years \$175-190 million of CCC funds for export activities, including interest rate

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buy-downs or export subsidy programs. USDA is reviewing possible ways of using these funds. The IG has an interest in discussing the broader policy ramifications of any interest rate buy-downs or direct export subsidies on U.S.-EC relations in the context of its review of U.S.-EC agricultural issues.

There have been high level indications of EC willingness to sit down with the United States before the GATT Ministerial to address current agricultural problems in an attempt to resolve them. West Germany, the United Kingdom, and the Netherlands might be willing to work within the EC to seek solutions to individual bilateral problems. The working group, therefore, should develop and appraise options for handling U.S.-EC agricultural problems (both bilaterally and multilaterally at the GATT Ministerial) for review by senior policy officials.

Attached are the following:

- Tab A -- Revised GATT Ministerial paper.
- Tab B -- July 27 IG paper on U.S.-EC agriculture.
- Tab C -- Revised USDA counter-subsidy papers, with overall summary and pros and cons (reflecting interagency comments).

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